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Date: October 13, 2009

To: House Appropriations Committee Members

From: Tonia Ritter, Manager State Governmental Affairs

A handwritten signature in black ink, appearing to read 'Tonia Ritter', written over the printed name.

Re: HB 5012, Study on Instant Racing

On behalf of the nearly 20,000 people who derive their livelihood in whole or part through the horse racing industry, Michigan Farm Bureau supports HB 5012 and its intentions to provide more tools to the horse racing industry in Michigan to remain competitive.

Our policy states, "In an effort to keep Michigan's horse racing industry competitive and on a level playing field with competition, we support efforts by the industry to develop better marketing and improve their facilities and public image. We support the combined efforts of the Michigan horse racing industry to enact legislation, which has been successful in other states and provinces, that will benefit Michigan horse men and women and allow racing to continue as a strong contributor to Michigan agriculture."

The equine racing industry has invested countless hours and resources into advancing the experience that patrons have when they attend a horse racing meet; still they are without sufficient tools that will allow them to remain a competitive, attractive entertainment option over the long haul. This legislation presents an opportunity to advance a study on Instant Racing, to facilitate the sound investigation of this "game" as another tool available at horse racing tracks.

Thank you for your continued support of Michigan agriculture and the equine racing industry. We look forward to working with you to advance sound legislation that will keep and add jobs to Michigan's economy.

Save Horse Racing Industry Coalition of Michigan

October 13, 2009

Dear Representative:

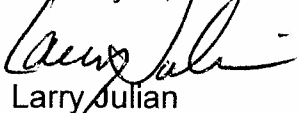
We are taking the time to write to you on the urgent, we repeat, urgent attention needed in regard to horse racing in the great State of Michigan. Your support of Michigan Horse Racing and agriculture, the jobs and economic stimulus that they have provided since 1933 is critical at this time. The Michigan House of Representative Appropriations Committee is considering language in the budget supplemental bill, HB 5012, introduced by Representative Cushingberry that will allow for a study of Instant Racing at the 5 Michigan horse racing tracks. We are asking for your support of this boilerplate language as we, in this industry, are in critical condition. The Governor has asked that horse racing stand on its own in Michigan. We are willing and ready to do just that, but need a simple tool that will allow us to raise needed revenues to survive and thrive.

From the attached Oaklawn Model of Instant Racing games in Arkansas, we are able to determine that the economic value to Michigan would be near 140 Million dollars to the state budget each year. This is not an expansion of any gaming facilities in this state, but a game changer at the current tracks with wagering through para mutual betting on video taped races. The racing industry currently employs nearly 20,000, people both directly and indirectly, and with this addition of instant racing we would increase jobs by an additional 21,000. This is economic development at its best and the State of Michigan is the winner.

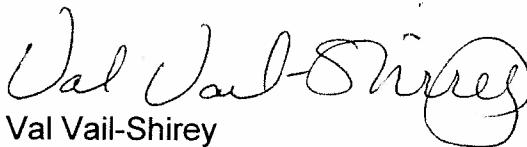
We appreciate your support of Michigan Horse Racing and with the utmost of respect ask you to give us the tool we desperately need – Instant Racing. We will keep horse racing in Michigan and stand on our own. We welcome your questions and ask for your yes vote in committee.

We sincerely appreciate your consideration of this request.

Thank you,



Larry Julian
Michigan Equine Partnership



Val Vail-Shirey
Michigan Standardbred Breeders Assn

Economic Impact of Horseracing

Instant Racing Machines at
Michigan Racetracks

March 2009

Re: Oaklawn Model

DISCLAIMER

The purpose of the instant racing report is to review the concept. The assumptions are subject to change after further analysis and input from the horse racing industry and government officials.

Summary – Instant Racing

Revenue Passed Through Michigan Horse Racing Act of 1995 (Oaklawn Model)

Number of tracks	5
Jobs (new and retained)	47,858
Taxes-State	\$ 24,843,000
Horsemen's Purses	\$ 45,143,280
Funds Retained by Tracks	\$ 67,714,920
Capital Investment in Racing Machines	\$ 25,000,000
Net Win	\$ 141,960,000
Total Handle	\$ 709,800,000

Jobs Impact

Existing Horseracing Jobs in Michigan

Existing horseracing jobs in Michigan (est.) ⁽¹⁾	<u>26,200</u>	
Total Existing Jobs		26,200

Potential New Jobs – New track: Pinnacle Race Course

Create new Michigan jobs at the racetrack ⁽²⁾		
Direct at track-New jobs	1,200	
Associated Jobs in Industry	<u>5,170</u>	
Sub Total		6,370
Indirect jobs (Multiplier effect) ⁽³⁾	<u>15,288</u>	
Total Jobs		<u>21,658</u>
		<u>47,858</u>

Notes:

- (1) See assumptions regarding jobs
- (2) Based upon Oaklawn numbers and estimates from MTOBA on indirect
- (3) Michigan Economic Development Corporation determines there is an indirect job factor known as the job multiplier is 2.4 jobs for every new job created.

Assumptions

1. We reviewed the actual results at Oaklawn and used that information to put together the model of instant racing for Michigan. Attached is an exhibit hereto that Oaklawn results over the past five years
2. The entire industry impact, 5 tracks, in Michigan was utilized. This is based upon 350 machines for 2 tracks and 600 machines for 3 tracks for a total of 2,500 machines.

Instant Racing Revenue Passed Through Horse Racing Act of 1995	
Net Win	\$141,960,000
Total Handle	\$709,800,000

The starting point in the Instant Racing Revenue calculus is the Net Win number calculated by using 2,500 machines multiplied by 364 days, multiplied by the net win per machine per day observed at Oaklawn of \$156.

Since the calculations in the Horse Racing Act of 1995 use Total Handle, it was necessary to back-calculate this from Net Win number. A net win of 20% was assumed, striking a balance between the 17% for straight wagers and 28% for multiple/exotic wagers allowed by MCL 431.317(3).

3. The jobs scheduled regarding direct and indirect is based upon previous studies prepared by Economic Impacts of Michigan Downs Mixed-Use Development, by TakTix Solutions 2003, Oaklawn in Arkansas historical numbers, Based Pinnacle Race Course Job Test Analysis 2008, plus the Oaklawn jobs data.

Assumptions (continued)

The remaining numbers are calculated using primarily the numbers set forth in Michigan statutes. The tax to the state is 3.5% of the total handle, as set forth in MCL 431.322(2). The fee charged by Race Tech for use of the historical races (exclusive of charges for use/rental of machines) is 3% of the net win, which is a non-statutory fee.

Tax to State	\$ 24,843,000
Race use fee	\$ 4,258,800
Horsemen's Purse Pool	\$ 45,143,280
Retained by Tracks	\$ 67,714,920

Once the tax and race use fee are calculated, the horsemen's purse pool was calculated, pursuant to MCL 431.318(5)(b), by subtracting the tax and race use fee from the net win, and then taking 40% of the remainder. Pursuant to MCL 431.319, the purse pool moneys are split with 50% to thoroughbred purses and 50% to standardbred, as the Instant Racing races are thoroughbred.

Finally, the amount of net win retained by the tracks is then calculated by subtracting the tax, race use fee and horsemen's purse pool from net win.

4. The capital investment in instant racing machines is on a purchase basis. Machines are also available to lease and/or on a profit sharing basis. Each entity would have to determine the proper economic model for capital deployment.
5. There is no provision for capital expenditures for new construction, remodeling, technology, etc.

Oaklawn - Arkansas RESULTS

	2003	2004	2005	2006	2007 *
Total Handle	156,164.21	108,129.63	154,618.63	219,219.69	206,869,289
IR Total Handle	45,144,219	74,175,238	153,947,359	219,869,093	225,101,220
Total Handle IR	19,912,814	100,512,906	153,947,359	219,869,093	225,101,220
IR Handle vs. Non-IR	37.63%	56.92%	121.08%	187.34%	203.18%
IR Machines					
Win per Machine	\$85.23	\$113.14			\$155.93
Payoff Amt.	4,062,980	6,675,771	13,855,262	19,788,218	20,259,110
Retained Amt.	4,062,980	6,675,771	13,855,262	19,788,218	20,259,110
Race Machine Fees	609,214	1,001,646	2,078,388	2,898,215	3,098,866
Race Use Fees	121,889	200,273	415,668	593,647	607,773
Tax	491,192	641,618	1,013,409,928	2,121,198,411	2,250,787
Breakage	12,189	20,027	41,566	59,365	60,777
HBP/ABreeders	699,457	1,404,856	2,078,388	2,898,215	3,098,866
Other Overhead	1,051,499	1,727,690	3,585,742	5,121,191	5,243,058
Net Profit to Track	1,207,111	1,983,912	4,116,398	5,879,080	6,018,982

Notes: (1) With 350 terminals in 2007, they are raising to 600 terminals in 2009.

Jobs Report

Instant Racing Machines at Michigan Tracks

Existing jobs Michigan horseracing industry 26,200 ⁽¹⁾

Review new job potential

Direct Jobs

	<u>One Track</u>	<u>Five Tracks</u>
Instant Racing	175 ⁽²⁾	875
Backside	200	1,000
Vendors	275	1,370
Breeders, Trainers	150	750
Other (Blacksmiths, Vets, Feed Vendors)	175	875
Construction-Temporary	300	<u>1,500</u>
	Sub total	6,370
	Multiplier Effect ⁽³⁾ (2.4 x 6,370)	<u>15,288</u>
	Total	21,658

- (1) Source – Oaklawn Track
- (2) According to Public Sector Consultants Inc., Lansing, Michigan
- (3) Michigan Economic Development Corporation determines there is an indirect job factor known as the job multiplier is 2.4 jobs for every new job created.

